

EVALUATION OF INTRAPRENEURIAL ACTIVITY  
WITHIN PURATOS, A DECENTRALIZING GLOBAL  
COMPANY

by

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MBA program – Open University Malaysia  
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## **I. Introduction**

### **I.1. Background of the Study**

The global economy is creating profound and substantial changes for organizations and industries throughout the world. These changes make it necessary for business firms to carefully examine their purpose and to devote a great deal of attention to selecting and following strategies in their pursuit on the levels of success that have a high probability of satisfying multiple stakeholders. In response to rapid, discontinuous, and significant changes in their external and internal environments, many established companies have restructured their operations in fundamental and meaningful ways (Kuratko & Hodgetts, 2004).

Today, a wealth of popular business literature describes a new "corporate revolution" taking place thanks to the infusion of entrepreneurial thinking into large bureaucratic structures (Hamel, 2000). This infusion is referred to as corporate entrepreneurship or intrapreneurship, which allows corporations to tap the innovative talents of their own workers and managers (Morris & Kuratko, 2002).

This project paper investigates the intrapreneurial activity within Puratos, a Belgian food company for bakery, patisserie and chocolate ingredients, with around hundred production and financial subsidiaries

around the world. Each Puratos subsidiary is managed by a Belgian or local General Manager.

Today's large corporations are suffering from size. They are so large that the managers making decisions are often isolated from a personal knowledge of the problems to be solved. The traditional answer for this situation is decentralization (Pinchot, 1985).

In the decentralized structure of Puratos each GM could be considered as an *intrapreneur*, with own decision power, own managing accents, and with the important task to make the corporation more capable of responding rapidly and sensitively to a rapid changing society. Therefore they need to use their own creativity to translate centralized procedures, concepts and company rules into local daily operations, with own accents, own priorities, own company structures, etc.

If we are to get really good problem-solving in our decentralized corporation, we must introduce a system that gives the decision to those who get successful results, not to the offensive. Such people will be willing to take moderate risks and will be more concerned with achieving results than with gaining influence. These are among the characteristics of the successful entrepreneur (Pinchot, 1985).

Corporations, by their very successes as well as by their failures, have created a world in which a new social invention allowing greater individual enterprise and responsibility in corporate society is

desperately needed. Making a place for entrepreneurs within the corporation is the next step in solving the problems of large-scale organizations.

This new status must provide the *intrapreneurs* with the independence of the entrepreneur while still holding over them the technological, financial, and perhaps most significant, the informational umbrella of the corporation.

Puratos (with its headquarter in Belgium) started its activities in 1919 by marketing products for cakes and breads. From that moment onwards, Puratos has not given up its position as the pioneer of new technology. Its laboratories developed the technology for producing emulsifying agents and in 1953 Puratos launched the famous T500, the first complete dough conditioner. In the early 70's, Puratos again moved ahead into new territory by discovering the important role of enzymes in the manufacturing of breads. It was the specific enzymes in Puratos improvers that led to its worldwide success. The most significant milestone on the path to this success was the launching of the S500 in 1975.

Puratos is now one of the world's leading manufacturers of ingredients for baking, patisserie, chocolate and ice-cream industry. Puratos is

worldwide present with financial participations in 102 countries, with 59 production plants in 4 continents.

## **I.2. Research Problems**

In this study two important topics are being discussed and investigated.

First there is the evaluation of the current perception of the general managers as being intrapreneur of the Puratos company. Do they perceive themselves more as a traditional manager or do they really consider themselves as an intrapreneur? What are their main characteristics and skills in relation to being traditional manager or intrapreneur?

Secondly we evaluate if Puratos –as a decentralizing company- should further develop its intrapreneurial activity. Is there currently a real intrapreneurial culture and environment? Are the general managers –as intrapreneurs of this decentralizing company- receiving sufficient management support? Do they receive enough autonomy and do they have sufficient time availability to develop their intrapreneurial

activities? Is the reward system motivating enough? And is the organizational boundary not too strict?

The research of this study will be based on the intrapreneurial activity within Puratos Group. The target group is the General Managers working all over the world for the Puratos Group.

### **I.3. Objectives of the Study**

This study gives a clear overview of the definitions and characteristics of intrapreneurship and intrapreneurial activity within a company, and shows the evolution in defining intrapreneurship from individual level towards a more corporate level of intrapreneurial activity within a company.

The first objective of the study is to evaluate the perception of the general managers as being intrapreneurs. Do they perceive themselves more as a traditional manager or do they really consider themselves as an intrapreneur?

The second objective is to evaluate the intrapreneurial activity as perceived and described by the General Manager of a decentralizing

company. The paper includes research and discussion on how to assess the intrapreneurial activity of an organization. Building a strategic plan is based on several critical steps, such as developing a vision, encouraging innovation, structuring for an intrapreneurial climate and developing the right venture teams (Kuratko & Hodgetts, 2004). Each of these critical steps are analyzed and discussed through research on the target group.

At the end of the study there are suggestions on the degree of intrapreneurial activity that is believed as required by the general managers to secure a healthy growth of the future business activity within the investigated company.

#### **I.4. Significance of the Study**

This study contains a historical overview of intrapreneurship and intrapreneurial activity applicable for a broad range of companies, and looks at the evolution in defining intrapreneurship from individual level towards a more corporate level of intrapreneurial activity.

The applied research, based on the investigation of the intrapreneurial activity of the General Managers working all around the world for the specific company, could contribute in future policy development of

this particular company. However due to a limited amount of general managers involved in this research, the conclusions and recommendations might not be fully representative for extrapolation on the overall worldwide company structure.

As the applied research will be limited to the evaluation of the intrapreneurial activity within Puratos, the conclusions and suggestions of the study will only be significant for future planning and organization within this particular investigated company.

## **I.5. Definition of terms**

In this study the General Managers of Puratos are considered as *intrapreneurs*, based on the definitions of Kuratko & Hodgetts (2004) and Morris & Kuratko (2002).

Intrapreneurs are not necessarily the inventors of new products or services but are the persons who can turn ideas or prototypes into profitable realities. They are team builders with a commitment and a strong drive to see their ideas become reality. Perhaps most surprising, they are typically of average or slightly above-average intelligence – they are not geniuses (Kuratko & Hodgetts, 2004). Initially, the intrapreneur is the general manager of a new business that does not yet

exist. In the beginning the individual may specialize in one area, such as marketing or research and development, but once the 'intraprise' is started, he or she quickly begins to learn all the project's facets. The intrapreneur soon becomes a generalist with many skills. They tend to be action oriented. They can move quickly to get things done. They are goal oriented, willing to do whatever it takes to achieve their objectives. They are also a combination of thinker, doer, planner, and worker. They combine vision and action. They are self-determined goal setters who go beyond the call of duty in achieving their goals (Morris & Kuratko, 2002).

## **I.6. Limitations of the Study**

The literature research of this study is based on a general evaluation of intrapreneurship and intrapreneurial activity, and therefore applicable as a general study and overview of corporate intrapreneurship.

However the applied research is limited to the research of a selected group of General Managers within Puratos only. Therefore the conclusions and suggestions based on that applied research are only applicable and significant for the investigated company, and cannot be generalized to other companies.



The sample size is limited to a certain amount (five) of general managers, as discussed and approved by the Human Resource Department of the investigated company.

In-depth interview sessions are carried out to a specific group of General Managers, as selected by the Human Resource Department of the company. Due to geographical transport limitations, the interview sessions are limited to these specific chosen research samples.

## **II. Literature Review**

### **II.1. Introduction to literature review**

Progress in understanding the process of corporate entrepreneurship may help the development of new managerial approaches and innovative administrative arrangements to facilitate the collaboration between entrepreneurial individuals and the organizations in which they are willing to exert their entrepreneurship (Burgelman, 1984).

The past two decades have seen corporate strategies focused more heavily on innovation.

Beneath literature overview first describes the individual level of intrapreneurship as found in literature from early eighties till early nineties. This new emphasis on entrepreneurial thinking developed during the entrepreneurial economy of the 1980s. Peter Drucker (1984), the renowned management expert, has described four major developments that explain the emergence of this economy. First, the rapid evolution of knowledge and technology has promoted the use of high-tech entrepreneurial start-ups. Second, demographic trends such

as double-income families, continuing education for adults, and the aging population have fueled the proliferation of newly developing ventures. Third, the venture capital market has become an effective funding mechanism for entrepreneurial ventures. Fourth, (American) industry has begun to learn how to manage entrepreneurship.

In a second part, based on literature from the later nineties and beginning of the 21<sup>st</sup> century, intrapreneurship is described from corporate level. The contemporary thrust in entrepreneurship has led to a desire to foster this activity *inside* enterprises. Although some researchers have concluded that entrepreneurship and bureaucracies are mutually exclusive and cannot coexist, others have described entrepreneurial ventures within the enterprise framework. Today, a wealth of popular business literature describes a new corporate revolution, which is attributable to the infusion referred to as corporate entrepreneurship or intrapreneurship (Kuratko & Hodgetts, 2001).

**The American Heritage Dictionary of the English Language**

*Third edition – 1992*

**in-tra-pre-neur (In<sup>1</sup>tre-pre-nur) n.** A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation [intra(corporate) + (ENTRE)PRENEUR.] -intrapre-nouri-al adj. -intra-pre-neuri-al-ism n. -in'trapre-neuri-al-ly adv.

## **II.2. Intrapreneurship from Individual perspective**

### *II.2.a. Defining Individual level of Intrapreneurship*

In 1985, Gifford Pinchott coined the term *intrapreneurship* to describe entrepreneurial activity inside the corporation where individuals (intrapreneurs) champion new ideas from development to complete profitable reality. Other authors have expanded this definition to include sanctions and resource commitments for the purpose of innovative results.

Intrapreneurs bridge the gap between inventors and managers. They take new ideas and turn them into profitable realities. Without them there is an innovation gap. They have vision and courage to realize it. They can imagine which business and organizational realities will follow from the way customers respond to their innovations. They can plot the necessary steps from idea to actualization. To make things work, intrapreneurs cross organizational boundaries to do other people's jobs. They have a need to act, and they don't wait for permission to begin. Their dedication frequently shuts out other concerns, including family life. They pursue only goals that they set, that have personal meaning. Successful intrapreneurs learn to overcome mistakes and to manage risk. The typical intrapreneurial

personality lies somewhere between that of the traditional manager and that of the traditional entrepreneur (Pinchot, 1985).

Gifford Pinchot (1985) defined the ten commandments of an intrapreneur:

1. Come to work each day willing to be fired
2. Circumvent any orders aimed at stopping your dream
3. Do any job needed to make your project work, regardless of your job description
4. Network with good people to assist you
5. Build a spirited team: choose and work with only the best
6. Work underground as long as you can – publicity triggers the corporate immune mechanism
7. Be loyal and truthful to your sponsors
8. Remember it is easier to ask forgiveness than for permission
9. Be true to your goals, but be realistic about the ways to achieve them
10. Keep the vision strong

When faced with failure or setback, intrapreneurs employ an optimistic approach. First, they do not admit they are beaten; they view failure as a temporary setback to be learned from and dealt with. It is not seen as a reason to quit. Second, they view themselves as responsible for their own destiny. They do not blame their failure on others but instead focus on learning how they might have done better. By objectively

dealing with their own mistakes and failures, intrapreneurs learn to avoid making the same mistakes again, and this, in turn, is part of what helps make them successful (Pinchot, 1985).

An intrapreneur's imagination is very different from an investor's. Inventors look five or ten years ahead and say "wouldn't it be wonderful if such and such". They imagine how a customer would respond to their new product, what the technology would be, how the technology could produce desired features, and all those sorts of things. Good inventors have the customer in mind, but their vision is usually incomplete unless they are also intrapreneurs. An intrapreneur, on the other hand, having seen the Promised Land moves back to the present and takes on the rather mundane and practical task of turning the prototype into a marketplace success. This too requires enormous imagination (Pinchot, 1987).

Intrapreneurs have been credited with increasing the speed and cost-effectiveness of technology transfer from research and development to the marketplace. While intrapreneurs are sometimes considered inventors, inventors come up with new products. Intrapreneurs come up with new processes that get that product to market. Part of the reason they are considered similar to inventors is that they are creative and

are risk-takers in the sense that they are stepping out of their traditional role within the business. However, their risk-taking behavior is personal. In terms of that business, they actually work towards minimizing the risk through the innovative approaches they use to more efficient and effective product production and sales.

Hans Schollhammer (1982) proposed five broad types of internal entrepreneurship: administrative, opportunistic, imitative, acquisitive, and incubative. Incubative entrepreneurship most closely resembles the intrapreneurial model, because it refers to the creation of semi-autonomous units within the existing organization for the purposes of sensing external and internal innovative developments, screening and assessing new venture opportunities, and initiating and nurturing new venture developments.

Researcher Karl Vesper (1982) identified three major types of corporate venturing: new strategic direction, initiative from below, and autonomous business creation. Vesper believed that corporate venturing could be any of these individual types, as well as any or all possible combinations of them. Similar to Schollhammer's incubative form, the 'initiative from below' approach, where an employee undertakes something new (an innovation), best represents the type of

corporate entrepreneuring activity that has become recognized as intrapreneurship.

### *II.2.b. Motivation of Intrapreneurs*

Commitment is most freely given when the members of an enterprise play a part in defining the purposes and plans of the entity. Commitment carries with it a de facto approval of and support for the management. Managing by consent is a useful managing philosophy if more entrepreneurial behavior is desired (Brandt, 1986).

Intrapreneurs are enough like entrepreneurs to make top management nervous, because of the unsettling myths about the entrepreneurial personality. Contrary to prevailing opinion, entrepreneurs are driven by a need to realize their vision, not a desire for wealth. They work to minimize risk in order to realize their goals. They follow both intuition and hard analysis. They are honest with themselves and others, and they do not have a need for power. They are, in short, worthy of freedom and responsibility (Pinchot, 1985).

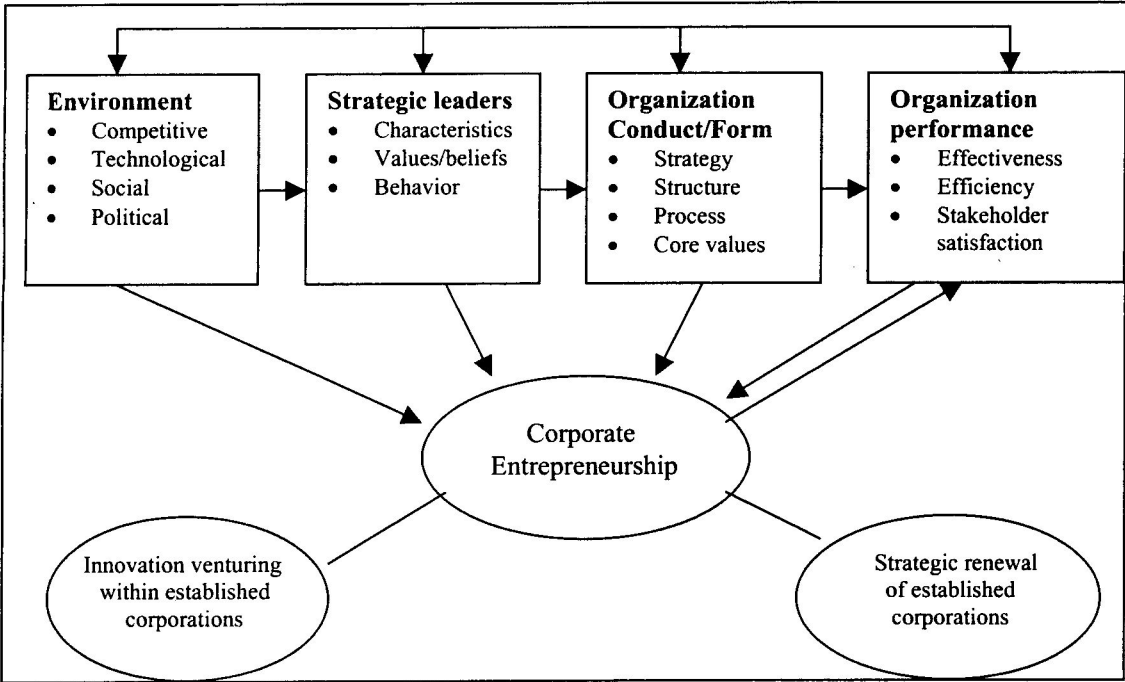
Contrary to common opinion, neither entrepreneurs nor intrapreneurs are motivated by money. Instead, they are driven by a personal need to achieve. Corporations can thus retain their innovative people and reap



the benefits of their innovations by providing the freedom and resources intrapreneurs require to pursue their goals (Pinchot 1985).

*II.2.c. Interaction between Individual and Organizational Characteristics*

A variety of models have been developed that attempt to provide a better framework for future understanding and study of intrapreneurial activity.

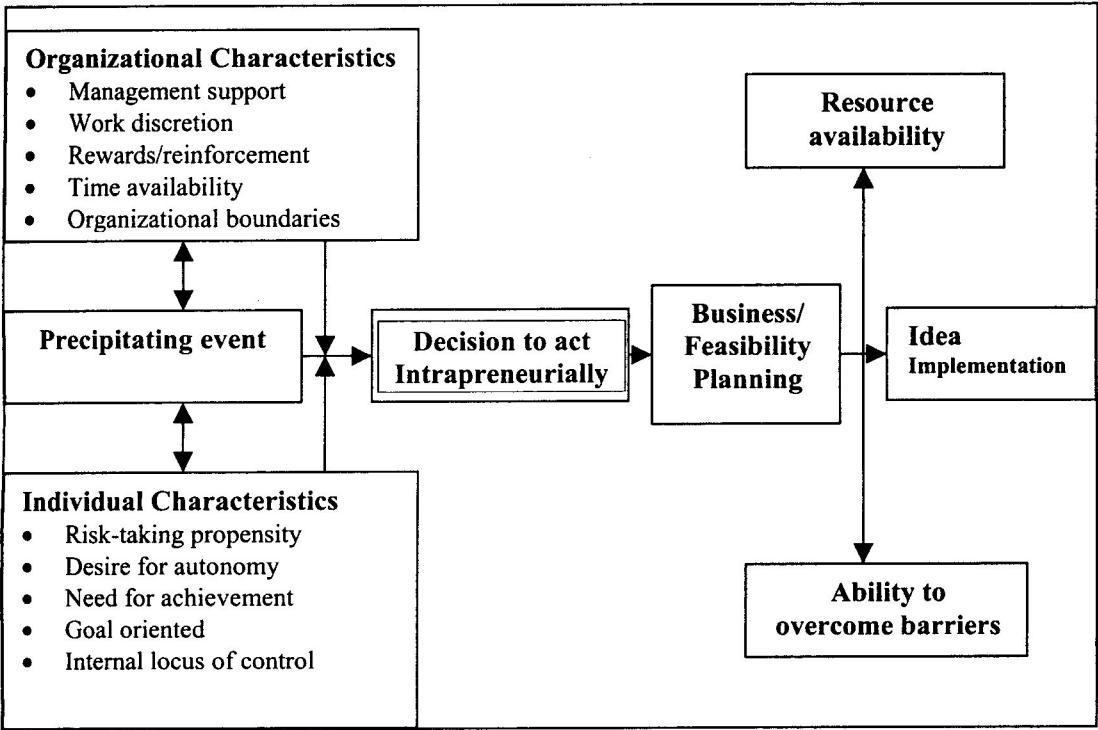


Guth & Ginsberg (1990) developed above model that attempt to provide a framework for tracking the research in corporate entrepreneurship. According to these researchers, the domain of

corporate entrepreneurship encompasses two types of processes: “internal innovation”, or venturing through the creation of new businesses within existing organizations, and the “strategic renewal” of key corporate ideas that transform organizations. Key components in this model include the environment, strategic leaders, organizations form, and organization performance. Each component is an important element within the domain of corporate entrepreneurship.

In examining the behaviors of entrepreneurs and their impact on the firm’s actions, researchers Covin & Slevin (1991) developed an organization-level model. They contend that entrepreneurial behavior at the firm level is affected by the firm’s particular strategies, structures, systems, and cultures. The major purpose of this behavioral model is to allow for considerable managerial intervention and thus reduce the view of corporate entrepreneurship as serendipitous or mysterious.

Researchers Hornsby, Naffziger, Kuratko & Montagno (1993) developed a research model to illustrate the critical interaction of several activities rather than events that occur in isolation.



They believe the decision to act intrapreneurial occurs as a result of interactions among organizational characteristics, individual characteristics, and some kind of precipitating event. The precipitating event provides the impetus to behave intrapreneurially when other conditions are conducive to such behavior. The precipitating event even could be a change in company management, a merger or acquisition, development of new technology, or an event that acts as the impetus for the interaction between individual characteristics and organizational factors.

Robert Reich (1987) describes the term ‘collective entrepreneurship’. In collective entrepreneurship, individual skills are integrated into a

group. This collective capacity to innovate becomes something greater than the sum of its parts. Over time, as group members work through various problems and approaches, they learn about each other's abilities. They learn how they can help one another to perform better, what each can contribute to a particular project, how they can best take advantage of one another's experience. Each participant is constantly on the lookout for small adjustments that will speed and smooth the evolution of the whole. The net result of many such small-scale adaptations, effected throughout the organization, is to propel the enterprise forward.

In keeping with Reich's focus on collective entrepreneurship, venture teams offer corporations the opportunity to use the talents of individuals but with a sense of teamwork.

## **II.3. Corporate Intrapreneurship**

### *II.3.a. Defining Corporate Intrapreneurship*

Over the past few years, there has been a growing interest in intrapreneurship (corporate entrepreneurship) as a way for corporations to enhance their employees' innovative abilities and, at the same time, increase corporate success through the potential creation of new corporate ventures. The creation of corporate entrepreneurial activity